TAOS CAPITAL INC.

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and address of the Company

Taos Capital Inc.
267 Outremont Avenue
Outremont, Québec
H2V 3L9

Item 2 Date of material change

August 3, 2005

Item 3 News release

The press release was issued and distributed through CNW Telbec on August 15, 2005.

Item 4 Summary of material change

Filing of a preliminary long form prospectus.

Item 5 Full description of material change

Taos Capital Inc. announces the filing of a preliminary long form prospectus with the applicable Canadian securities regulatory authorities on August 3, 2005. The prospectus also constitutes an amendment to the filing statement of Taos prepared in connection with the Qualifying Transaction previously announced on February 18, 2005. The agreement in principle has been amended to provide for a minimum financing of $3,000,000 instead of the previously announced $5,250,000, and establishes that the final offering amount will be determined at the time of filing of the final prospectus, up to a maximum of $6,000,000.

Pursuant to the agreement in principle as entered into by the Company and TransGaming Technologies Inc. (“TransGaming”), all of the issued and outstanding securities of TransGaming will be purchased for 30,000,000 Common Shares at the price of $0.25 per share for a total consideration of $7,500,000. Each unit is comprised of one (1) Common Share and one-half Warrant. Each whole Warrant will enable its holder to subscribe for one (1) Common Share at either a price of $0.40 at any time during the Initial Period or at a price of $0.50 per share at any time during the twelve (12) months following the completion of the Initial Period. Following the acquisition of TransGaming by the Company, which will constitute a “Qualifying Transaction” under the CPC Policy, the proceeds of the Offering will be committed to fund the business of TransGaming, a company specializing in the development of software tools for video game developers and publishers.

The Offering Price of $0.25 per Unit was determined upon arm’s length negotiations between the Company, Canaccord Capital Corporation as lead agent, and syndication partners Paradigm Capital Inc. and Union Securities Ltd.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

N/A

Item 7 Omitted Information

None

Item 8 Executive Officer

Louis G. Plourde
President
Tel: (514) 277-5984
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Item 9 Date of Report

August 17, 2005